

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	114.00	1.50	50.40	165.90	1.50	50.40	165.90	165.90
Personal Services	4,529,507	627,264	1,682,031	6,838,802	627,291	1,678,341	6,835,139	13,673,941
Operating Expenses	4,867,500	808,811	1,760,457	7,436,768	776,150	1,854,155	7,497,805	14,934,573
Equipment	22,542	18,000	15,000	55,542	15,000	15,000	52,542	108,084
Capital Outlay	0	0	0	0	0	0	0	0
Grants	685,992	0	2,777,000	3,462,992	0	2,777,000	3,462,992	6,925,984
Benefits & Claims	2,280	0	0	2,280	0	0	2,280	4,560
Total Costs	\$10,107,821	\$1,454,075	\$6,234,488	\$17,796,384	\$1,418,441	\$6,324,496	\$17,850,758	\$35,647,142
General Fund	2,974,227	250,798	(61,068)	3,163,957	227,709	(61,338)	3,140,598	6,304,555
State/Other Special	151,344	106,208	1,370,522	1,628,074	95,376	1,460,300	1,707,020	3,335,094
Federal Special	6,982,250	1,097,069	4,925,034	13,004,353	1,095,356	4,925,534	13,003,140	26,007,493
Total Funds	\$10,107,821	\$1,454,075	\$6,234,488	\$17,796,384	\$1,418,441	\$6,324,496	\$17,850,758	\$35,647,142

Agency Description

The Department of Military Affairs, administered by the Adjutant General, oversees activities of the Air and Army National Guard, Disaster and Emergency Services, and the National Guard (NG) Youth Challenge program. The Montana Board of Veterans' Affairs is administratively attached to the department. The department, through the Army and Air National Guard, manages a joint federal-state program to maintain trained and equipped military organizations in readiness for state and national mobilizations to active duty.

The Disaster and Emergency Services Division plans for and coordinates state responses in disaster and emergency situations. The Board of Veterans' Affairs manages and cooperates with state and federal agencies in providing statewide services for discharged veterans and their families, and is responsible for the two state veterans' cemeteries. The NG Youth Challenge program provides a military-modeled youth intervention program with a goal of improving the life coping skills and employability of high school dropouts.

Agency Discussion

The Department of Military Affairs is funded predominantly with general fund and federal special revenue. The 2005 biennium executive budget request continues current operations of the department.

Department of Military Affairs Major Budget Highlights	
<ul style="list-style-type: none"> ○ Funding for the Youth Challenge program is continued. This program was funded as one-time-only by the 2001 Legislature, and is not included in the base ○ The executive proposes to replace general fund in the Youth Challenge program with Employment Security Account state special revenue funding ○ Funding for the National Guard Youth Scholarship program is not continued ○ The executive requests increased authority for increased grant funding within the Disaster and Emergency Services Division ○ The executive requests increased authority within the Army and Air National Guard programs for increased operating costs ○ 2.0 FTE are eliminated in Disaster and Emergency Services Division and Veterans' Affairs Division 	
Major LFD Issues	
<ul style="list-style-type: none"> ○ Discussion of issues and options concerning the Youth Challenge program ○ Air National Guard program general fund increases by 63 percent over base, related to assuming costs of federally funded construction 	

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2005 Biennium Executive Budget					
<u>Agency Program</u>	<u>General Fund</u>	<u>State Spec.</u>	<u>Fed. Spec.</u>	<u>Grand Total</u>	<u>Total %</u>
Centralized Services	\$ 875,042	\$ -	\$ 194,867	\$ 1,069,909	3.0%
Challenge Program	-	2,250,880	3,359,561	5,610,441	15.7%
Scholarship Program	-	-	-	-	-
Army National Guard Pgm	2,392,717	682,000	9,305,942	12,380,659	34.7%
Air National Guard Pgm	617,190	-	4,522,158	5,139,348	14.4%
Disaster & Emergency Services	999,581	27,400	8,624,965	9,651,946	27.1%
Veterans Affairs Program	1,420,025	374,814	-	1,794,839	5.0%
Grand Total	<u>\$ 6,304,555</u>	<u>\$ 3,335,094</u>	<u>\$ 26,007,493</u>	<u>\$ 35,647,142</u>	<u>100.0%</u>

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	Present Law Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Biennium Fiscal 02-03	Total Exec. Budget Fiscal 04-05
FTE	115.50	50.40	165.90	115.50	50.40	165.90	114.00	165.90
Personal Services	5,156,771	1,682,031	6,838,802	5,156,798	1,678,341	6,835,139	9,340,909	13,673,941
Operating Expenses	5,676,311	1,760,457	7,436,768	5,643,650	1,854,155	7,497,805	10,165,202	14,934,573
Equipment	40,542	15,000	55,542	37,542	15,000	52,542	60,509	108,084
Capital Outlay	0	0	0	0	0	0	0	0
Grants	685,992	2,777,000	3,462,992	685,992	2,777,000	3,462,992	1,375,010	6,925,984
Benefits & Claims	2,280	0	2,280	2,280	0	2,280	4,560	4,560
Total Costs	\$11,561,896	\$6,234,488	\$17,796,384	\$11,526,262	\$6,324,496	\$17,850,758	\$20,946,190	\$35,647,142
General Fund	3,225,025	(61,068)	3,163,957	3,201,936	(61,338)	3,140,598	6,042,205	6,304,555
State/Other Special	257,552	1,370,522	1,628,074	246,720	1,460,300	1,707,020	560,873	3,335,094
Federal Special	8,079,319	4,925,034	13,004,353	8,077,606	4,925,534	13,003,140	14,343,112	26,007,493
Total Funds	\$11,561,896	\$6,234,488	\$17,796,384	\$11,526,262	\$6,324,496	\$17,850,758	\$20,946,190	\$35,647,142

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Restore OTO - Montana NG Youth Challenge Program										
02	47.40	0	1,100,522	1,650,784	2,751,306	47.40	0	1,100,300	1,650,451	2,750,751
DP 8 - Environmental Program Operations										
12	2.00	0	0	332,520	332,520	2.00	0	0	333,353	333,353
DP 14 - MTNG Distance Learning										
12	0.00	0	270,000	0	270,000	0.00	0	360,000	0	360,000
DP 210 - Terrorism Preparedness and Equipment										
21	3.00	0	0	2,967,000	2,967,000	3.00	0	0	2,967,000	2,967,000
DP 7001 - Reduce Current Level FTE - Veterans Affairs Div.										
31	(1.00)	(36,068)	0	0	(36,068)	(1.00)	(36,068)	0	0	(36,068)
DP 7002 - Reduce Current Level FTE - DES										
21	(1.00)	(25,000)	0	(25,270)	(50,270)	(1.00)	(25,270)	0	(25,270)	(50,540)
Total	50.40	(\$61,068)	\$1,370,522	\$4,925,034	\$6,234,488	50.40	(\$61,338)	\$1,460,300	\$4,925,534	\$6,324,496

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	8.20	1.00	0.00	9.20	1.00	0.00	9.20	9.20
Personal Services	395,039	101,433	0	496,472	100,053	0	495,092	991,564
Operating Expenses	53,875	(16,689)	0	37,186	(17,276)	0	36,599	73,785
Benefits & Claims	2,280	0	0	2,280	0	0	2,280	4,560
Total Costs	\$451,194	\$84,744	\$0	\$535,938	\$82,777	\$0	\$533,971	\$1,069,909
General Fund	394,510	43,895	0	438,405	42,127	0	436,637	875,042
Federal Special	56,684	40,849	0	97,533	40,650	0	97,334	194,867
Total Funds	\$451,194	\$84,744	\$0	\$535,938	\$82,777	\$0	\$533,971	\$1,069,909

Program Description

The Centralized Services Division provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, purchasing, and property management oversight.

Centralized Services Division Major Budget Highlights	
○	The executive reduces general fund by approximately \$20,000 each year to continue the Governor's fiscal 2003 expenditure reductions and August 2002 Special Session reductions
Major LFD Issues	
○	None

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Centralized Services							
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005	
01100 General Fund	\$ 394,510	87.4%	\$ 438,405	81.8%	\$ 436,637	81.8%	
03132 National Guard	43,321	9.6%	83,620	15.6%	83,421	15.6%	
03134 Disaster & Emergency Services	13,363	3.0%	13,913	2.6%	13,913	2.6%	
Grand Total	<u>\$ 451,194</u>	<u>100.0%</u>	<u>\$ 535,938</u>	<u>100.0%</u>	<u>\$ 533,971</u>	<u>100.0%</u>	

The division is primarily funded with general fund. The federal/state agreements between the Department of Military Affairs and the associated federal agencies have identified costs of positions that provide support to federally funded activities as applicable for federal funding. During the base year, federal funds accounted for approximately 13 percent of the funding for the Centralized Services Division. For the 2005 biennium, federal funds account for 18 percent of the division funding.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					85,591					84,249
Vacancy Savings					(19,225)					(19,172)
Inflation/Deflation					718					746
Fixed Costs					(2,446)					(3,060)
Total Statewide Present Law Adjustments					\$64,638					\$62,763
DP 3 – Restore OTO – State Cooperative Agreements Manager	1.00	0	0	39,639	39,639	1.00	0	0	39,548	39,548
DP 7003 – Reduce current level in Centralized Services	0.00	(19,533)	0	0	(19,533)	0.00	(19,534)	0	0	(19,534)
Total Other Present Law Adjustments	1.00	(\$19,533)	\$0	\$39,639	\$20,106	1.00	(\$19,534)	\$0	\$39,548	\$20,014
Grand Total All Present Law Adjustments					\$84,744					\$82,777

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - Restore OTO - State Cooperative Agreements Manager - The executive requests approximately \$40,000 annually in federal authority to continue funding for a 1.0 FTE Compliance Specialist position on a permanent basis. This position was approved by the 2001 legislature as one-time-only. This position would be responsible for the various department cooperative agreements with the Federal National Guard Bureau, currently at 12 cooperative agreements totaling over \$126 million, with duties including:

- o Reviewing and tracking all expenditures made, and
- o Ensuring that all appropriate reimbursements for state expenditures are requested from the federal government.

DP 7003 - Reduce current level in Centralized Services - The executive proposes to reduce the current level of general fund within Centralized Services by approximately \$20,000 to meet the department's mandated general fund reduction, based on a continuation of the Governor's fiscal 2003 expenditure reductions and reductions made during the 2003 special session. This proposal represents the division share based on department reallocation of the overall reduction.

LFD COMMENT

This reduction has been applied to general categories of expenditures, making impacts upon the division difficult to identify. However, the department has stated it will reallocate funding as needed, but will most likely reduce expenditures in travel, training, and equipment purchase/maintenance.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	47.40	47.40	0.00	47.40	47.40	47.40
Personal Services	0	0	1,540,469	1,540,469	0	1,536,229	1,536,229	3,076,698
Operating Expenses	0	59,557	1,210,837	1,270,394	48,827	1,214,522	1,263,349	2,533,743
Total Costs	\$0	\$59,557	\$2,751,306	\$2,810,863	\$48,827	\$2,750,751	\$2,799,578	\$5,610,441
General Fund	0	0	0	0	0	0	0	0
State/Other Special	0	30,527	1,100,522	1,131,049	19,531	1,100,300	1,119,831	2,250,880
Federal Special	0	29,030	1,650,784	1,679,814	29,296	1,650,451	1,679,747	3,359,561
Total Funds	\$0	\$59,557	\$2,751,306	\$2,810,863	\$48,827	\$2,750,751	\$2,799,578	\$5,610,441

Program Description

The Montana National Guard Youth Challenge Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. Challenge is a 17-month, voluntary, two-phased military modeled training program targeting unemployed drug-free and non-offender high school dropouts. The program provides an opportunity for 'at-risk' youth to enhance their life skills, and increase their educational levels and employment potential. Core components of the program are citizenship, academic excellence (GED/high school diploma attainment), life-coping skills, community service, health and hygiene, skills training, leadership, cooperative group skills, and physical training. Phase I of the program is a 22-week residential stay on the campus of Western Montana College of the University of Montana, in Dillon, focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially-trained member of the community, where the youth resides, to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

Youth Challenge Program Major Budget Highlights	
<ul style="list-style-type: none"> ○ The executive continues funding for the Youth Challenge program. This program was funded as one-time-only by the 2001 legislature. Therefore, the program is not included in the base ○ The executive proposes to fund the state match portion of program funding from the Employment Security Account 	
Major LFD Issues	
<ul style="list-style-type: none"> ○ Youth in program potentially qualify for services through federal Workforce Investment Act (WIA) funding ○ Both programs show propensity for successful transition for 'at-risk' youth ○ Ability of WIA program to absorb youth currently service by the Youth Challenge program is undetermined ○ Using similar standards for cost comparison, Youth Challenge program has a higher cost than the WIA program ○ Funding is provided from ESA account. All issues relating to use of the ESA apply to this program. For more information, see the narrative for the Workforce Services Division within the Department of Labor and Industry 	

Background

The National Guard Bureau funds the state programs at a level equating to \$14,000 per student, but will not provide funding for a program with a target enrollment less than 100. Each state is to determine the number of participants it will target for enrollment and graduation from the program based on available facilities and individual state need. Montana's target is 100 students per class, or 200 per year. Therefore, Montana's program is funded at a level of \$2.8 million per year, with the state match (40 percent) equal to \$1.12 million. The National Guard Bureau allows state programs to obtain grants and donations to support the program, but will not count any of those funding sources toward the state match. Of the 28 states currently operating the Youth Challenge program, Montana has the lowest base population, and therefore, number of dropouts. This provides for a smaller pool of applicants for the program, which in turn may facilitate a lower completion rate for the program. Overall, the number of applicants for each class has varied, but remained between 147 and 182.

Comparison to Other Programs

There are other programs available to at-risk youth. Consequently, the issue for the legislature to consider is whether youth currently served by the Youth Challenge program could be served by other programs at a lower cost. Two programs available to 'at-risk' youth are the Jobs for Montana's Graduates (JMG) program and the Workforce Investment Act (WIA) Title IB youth program. The Youth Challenge program targets dropouts while the JMG program targets 'at-risk' youth who are still in school (for more information, please see the Program Issues narrative for the Workforce Services Division within the Department of Labor and Industry). Therefore, the most useful comparison may be made between the WIA youth program and the Youth Challenge Program.

WIA Title IB youth program

The WIA youth program serves low-income youth ages 14 through 21, although up to 5 percent of clients may be exempted from the income requirement, if they face certain barriers to school completion or employment. Eligible youth must also face one or more of the following challenges to successful workforce entry:

- o School dropout (at least 30 percent of program funding must help those who are not in school)
- o Basic literary skills deficiency
- o Homeless, runaway, or foster child
- o Pregnant or a parent
- o An offender
- o Needing help completing an educational program or securing and holding a job

The program provides a wide range of services. An overview provided by the US Department of Labor states that:

- o Youth will be prepared for postsecondary educational opportunities or employment
- o Programs will link academic and occupational learning, and
- o Service providers will have strong ties to employers.

Additionally programs are also required to provide:

- o tutoring;
- o study skills training and instruction leading to completion of secondary school (including dropout prevention);
- o alternative school services;
- o mentoring by appropriate adults;
- o paid and unpaid work experience (such as internships and job shadowing);
- o occupational skills training;
- o leadership development;
- o appropriate supportive services; and
- o guidance and counseling, and follow-up services for at least one year, as appropriate.

In program year 2000, the WIA youth program served 588 youth at an average cost of about \$4,900 per client.

Issues

1. There are five main issues when discussing the Youth Challenge program.
 - It appears most Youth Challenge participants would also qualify for services under the WIA youth program, with the exception being those who did not meet income requirements.
 - Both programs show success at helping qualifying participants. Figure 1 provides a comparison of the goals and results for each program. However, these results need to be analyzed within the following context: The WIA program serves all who qualify, while the Youth Challenge program selects participants from a field of applicants, then further refines the number of participants during the two-week pre-residential phase. Additionally, while both programs are voluntary, the structure and intensity provided by each program is very different. The military-training atmosphere provided by the Youth Challenge program, while eliminating some participants, may also lead to a higher completion rate for that program.

Figure 1				
Montana Youth Challenge				
Achievement of Program Goals (Residential Phase)				
	Goal	Results		
		2000	2001	2002
Graduation Rate (Annually)	180	133	163	159
GED Success Rate (1)	68%	68%	88%	91%
Grade-level Equivalency Growth (Math)	1	1.2	1.7	1.7
Grade-level Equivalency Growth (Reading)	1	1.3	1.7	1.6
Community Service (Hours per student)	40	52	58	52
Mentor Matches	100%	96%	91%	95%
(1) - Program goal based on 2000 national program average.				

- The ability of the WIA youth program to serve the additional number of youth currently in the Youth Challenge program is difficult to determine, and will vary depending on:
 - Number of Challenge-eligible youth who qualify for and request WIA assistance;
 - level of services required by individual clients; and
 - funding available within any 6-month funding window.
- Using the placement and retention rates for each program as the measure of success, the WIA youth program has a cost of approximately \$8,300 federal funds per successful client, while the Youth Challenge program has a cost of approximately \$20,000 per successful client, (\$12,000 federal funds/ \$8,000 general fund).
- For the 2005 biennium, the executive proposes replacing the general fund, historically allocated to the program, with funding from the Employment Security Account (ESA). This funding switch is dependent upon the amount of federal Reed Act funding available to backfill ESA funding, and at least partially based on the Youth Challenge program attempts to better equip individuals to enter the workforce or improve the overall quality of the workforce. However, as with general fund, the decision to use ESA funding for the Youth Challenge program should be preceded by a discussion on the overall usage of the ESA, and how this program and others fall within state priorities for providing workforce development services. Additionally, given the projected status of the ESA, replacing general fund with ESA funding is most-likely a short-term proposal contingent on backfilling the ESA with other funding. *For more information on the use of ESA, as well as the proposed Reed Act/ESA funding switch and ESA status, please refer to the corresponding discussions in the narrative for the Workforce Services Division within the Department of Labor and Industry.*

Options:

- do not fund the Youth Challenge program
- accept the executive proposal to fund the Youth Challenge program state match with funds from the ESA
- accept the executive-proposed level of funding, but fund the state match with general fund

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Challenge Program					
Program Funding	Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ -	\$ -	-	\$ -	-
02258 Employment Security Account	-	1,131,049	40.2%	1,119,831	40.0%
03132 National Guard	-	1,679,814	59.8%	1,679,747	60.0%
Grand Total	-	<u>\$ 2,810,863</u>	<u>100.0%</u>	<u>\$ 2,799,578</u>	<u>100.0%</u>

The Youth Challenge Program has been funded since fiscal 2000 with a combination of federal funds and a general fund state match. Initially funded at a 70/30 federal to state match, state funding was to increase by 5 percent each year until fiscal 2002, at which time the funding split was to permanently remain 60/40 federal to state. During the 2003 special session all general fund within the program for fiscal 2003 was replaced with Employment Security Account (ESA) funding administered by the Department of Labor and Industry. The executive funds the Youth Challenge program state match with ESA funding for the 2005 biennium.

Present Law Adjustments											
-----Fiscal 2004-----						-----Fiscal 2005-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services					0					0	
Vacancy Savings					0					0	
Inflation/Deflation					0					0	
Fixed Costs					59,557					48,827	
Total Statewide Present Law Adjustments					\$59,557						\$48,827
Grand Total All Present Law Adjustments					\$59,557						\$48,827

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - Restore OTO - Montana NG Youth Challenge Program										
02	47.40	0	1,100,522	1,650,784	2,751,306	47.40	0	1,100,300	1,650,451	2,750,751
Total	47.40	\$0	\$1,100,522	\$1,650,784	\$2,751,306	47.40	\$0	\$1,100,300	\$1,650,451	\$2,750,751

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 1 - Restore OTO - Montana NG Youth Challenge Program - The executive proposes to continue the program at the currently established level of two classes per year, with a target participation/completion rate of 100 youth in each class. The executive funds the state match portion of the funding (40 percent of total funding) entirely with ESA funds. No general fund is requested for the program.

**LFD
ISSUE**

The federal National Guard Bureau funds each Youth Challenge program at a program cost of \$14,000 per student, with a minimum enrollment of 100 youth per class. Montana has established its program at that minimum. Therefore, program funding is capped for 200 (two classes per year) youth, at an annual cost of \$2.8 million per year. Using the 60/40 federal/state split percentage provides a funding level of \$1.68 million federal funds and \$1.12 million state match funds. The executive level of state match funding in fiscal 2004 is approximately \$10,000 beyond that which will be matched by federal funds. Therefore, if the legislature wishes to fund the program only at the established 60/40 federal/state split, the state match appropriation should be reduced to \$1.12 million in fiscal 2004.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	32.30	0.00	2.00	34.30	0.00	2.00	34.30	34.30
Personal Services	1,161,198	356,263	82,520	1,599,981	354,077	83,353	1,598,628	3,198,609
Operating Expenses	3,559,723	439,676	505,000	4,504,399	419,778	595,000	4,574,501	9,078,900
Equipment	20,075	18,000	15,000	53,075	15,000	15,000	50,075	103,150
Capital Outlay	0	0	0	0	0	0	0	0
Total Costs	\$4,740,996	\$813,939	\$602,520	\$6,157,455	\$788,855	\$693,353	\$6,223,204	\$12,380,659
General Fund	1,163,402	44,043	0	1,207,445	21,870	0	1,185,272	2,392,717
State/Other Special	17,561	8,439	270,000	296,000	8,439	360,000	386,000	682,000
Federal Special	3,560,033	761,457	332,520	4,654,010	758,546	333,353	4,651,932	9,305,942
Total Funds	\$4,740,996	\$813,939	\$602,520	\$6,157,455	\$788,855	\$693,353	\$6,223,204	\$12,380,659

Program Description

The Army National Guard provides trained and equipped military units for use in the event of a state or federal mobilization to active duty. Specifically, the Army National Guard program supports this end by: 1) providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas; 2) planning, programming, and contracting for construction; 3) ensuring all activities and facilities comply with environmental regulations; and 4) providing state-wide communication services, security contracts, and leases for buildings and land used by the Army National Guard.

Army National Guard Program Major Budget Highlights	
○	Executive reduces general fund within the program to continue the Governor's fiscal 2003 expenditure reductions and August 2002 special session reductions
Major LFD Issues	
○	Recovery of facility use charges associated with shared usage of the Montana National Guard Distance Learning Network may allow the department to offset general fund for facility operations

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Army National Guard Pgm						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 1,163,402	24.5%	\$ 1,207,445	19.6%	\$ 1,185,272	19.0%
02101 Distance Learning	-	-	270,000	4.4%	360,000	5.8%
02343 Armory Rental Funds	17,561	0.4%	26,000	0.4%	26,000	0.4%
03132 National Guard	3,560,033	75.1%	4,654,010	75.6%	4,651,932	74.8%
Grand Total	<u>\$4,740,996</u>	<u>100.0%</u>	<u>\$6,157,455</u>	<u>100.0%</u>	<u>\$6,223,204</u>	<u>100.0%</u>

The Army National Guard program is primarily funded with a combination of general fund and federal funds.

Depending on how a facility is used, the costs to operate and maintain a facility can be funded:

- entirely with state funds
- entirely with federal funds
- as a shared responsibility, with federal funds at 75 percent and general fund at 25 percent (service contract buildings)

When a facility is owned by the state and located on state land, the funding is 100 percent general fund. When a facility is state owned but located on federal land, the maintenance costs are funded 75 percent federal and 25 percent general fund, but utility costs are funded 100 percent general fund. When a facility is classified as a logistics facility, the funding is 75 percent federal and 25 percent general fund for the entire facility. Federally owned facilities located on federal land and those that serve a training mission are predominantly funded 100 percent with federal funds, except when the building is used as an armory. Armories constructed with federal funds and located on federal land are funded 100 percent general fund for utilities and 75 percent federal and 25 percent general fund for maintenance costs. When armories are rented to groups, the state special revenue funds generated from rental fees are used to augment general fund support of the facilities.

During the base year, general fund accounted for 25 percent of overall expenditures within the Army National Guard program.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				433,776						431,551
Vacancy Savings				(63,749)						(63,710)
Inflation/Deflation				47,849						56,242
Fixed Costs				37,426						12,917
Total Statewide Present Law Adjustments				\$455,302						\$437,000
DP 5 - Army Facilities Operations										
0.00	(58,517)	0	144,154	85,637	0.00	(58,117)	0	143,972	85,855	
DP 9 - MTNG Distance Learning Network - Comm. Adjust										
0.00	0	0	266,000	266,000	0.00	0	0	266,000	266,000	
DP 13 - Construction Replacement Computers										
0.00	0	0	7,000	7,000	0.00	0	0	0	0	0
Total Other Present Law Adjustments										
0.00	(\$58,517)	\$0	\$417,154	\$358,637	0.00	(\$58,117)	\$0	\$409,972	\$351,855	
Grand Total All Present Law Adjustments				\$813,939						\$788,855

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5 - Army Facilities Operations - The executive requests additional federal authority to fund increased operating and maintenance costs which are 100 percent federally-supported:

- janitorial services for newly constructed facilities
- utility costs for new facilities
- additional contract maintenance projects

This request also includes an adjustment to reduce general fund within the division by approximately \$58,000 each year of the biennium, to meet the department's mandated general fund reduction, based on a continuation of the Governor's fiscal 2003 expenditure reductions and reductions made during the 2003 special session. This proposal represents the division share based on department reallocation of the overall reduction and includes the reduction of federal funds as a result of loss of state match funding.

LFD COMMENT	This reduction has been applied to general categories of expenditures, making impacts upon the division difficult to identify. However, the department has stated it will reallocate funding as needed, but will most likely reduce planned expenditures for programmed maintenance to state-owned facilities, utilities, and janitorial services for new or future facilities.
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DP 9 - MTNG Distance Learning Network - Comm. Adjust - The executive requests an additional \$266,000 of federal authority in each year of the biennium to accommodate increased funding and expenditures to maintain voice and data communications at a level necessary to support existing military communications operational needs.

DP 13 - Construction Replacement Computers - The executive requests additional federal authority to replace four computer systems and upgrade one laptop computer in fiscal 2004.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				Total Funds
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	
DP 8 - Environmental Program Operations										
12	2.00	0	0	332,520	332,520	2.00	0	0	333,353	333,353
DP 14 - MTNG Distance Learning										
12	0.00	0	270,000	0	270,000	0.00	0	360,000	0	360,000
Total	2.00	\$0	\$270,000	\$332,520	\$602,520	2.00	\$0	\$360,000	\$333,353	\$693,353

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 8 - Environmental Program Operations - The executive requests additional federal authority (\$333,000 each year) for the following:

- Move 2.0 FTE from modified to permanent (\$83,000 each year). These FTE are currently established in the Environmental Program as the Environment Technical Support Specialist and the Environmental Compliance Assessment Specialist.
- Accommodate increased federal funding for Environmental Program Operations (\$250,000 each year). The increased federal funding will be used to support the ongoing environmental compliance program (hazardous waste disposal, spill response supplies, environmental documentation of new activities, facility management plans, and natural resource studies).

DP 14 - MTNG Distance Learning - The executive requests state special revenue authority to accommodate implementation of shared usage of the Montana National Guard Distance Learning Network. This authority would be used to reimburse federal funds for use of the network by local, state, and federal governments, or private individuals, and will also be used to accumulate funding for replacement equipment based on a life-cycle cost model.

The department states it will not have its 28 operational classrooms available for widespread for-fee use until late fiscal year 2003. With no historical usage on which to base expenditures, the request is an estimate based on 16 hours of for-fee use of the classrooms per month in the first year and 33 percent growth in for-fee use in the second year.

This request is for \$270,000 in fiscal 2004 and \$360,000 in fiscal 2005.

**LFD
ISSUE**

The department is currently re-working its proposed fee structure for recovering shared usage costs. However, information provided by the department for the 2001 session indicated an armory usage fee of \$15.90. Using that same information with the projected number of hours for the 2005 biennium gives a potential reimbursement to the state of approximately \$7,000 in fiscal 2004 and \$9,500 in fiscal 2005. Therefore, if the legislature accepts this decision package based on department projections, it may wish to reduce general fund by these amounts for the biennium.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	33.00	0.00	0.00	33.00	0.00	0.00	33.00	33.00
Personal Services	1,303,255	83,352	0	1,386,607	85,825	0	1,389,080	2,775,687
Operating Expenses	876,269	306,160	0	1,182,429	304,963	0	1,181,232	2,363,661
Total Costs	\$2,179,524	\$389,512	\$0	\$2,569,036	\$390,788	\$0	\$2,570,312	\$5,139,348
General Fund	188,423	120,359	0	308,782	119,985	0	308,408	617,190
Federal Special	1,991,101	269,153	0	2,260,254	270,803	0	2,261,904	4,522,158
Total Funds	\$2,179,524	\$389,512	\$0	\$2,569,036	\$390,788	\$0	\$2,570,312	\$5,139,348

Program Description

The Air National Guard program provides trained and equipped military units for use in the event of a state or federal mobilization to active duty. The federal/state cooperative agreement provides for administrative, facilities maintenance, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard Program operates under both federal and state mandates in accordance with its dual missions.

Air National Guard Program Major Budget Highlights	
○	General fund within program increases by 63 percent to assume costs associated with federally funded construction
Major LFD Issues	
○	Long-range planning review of state costs to operate facilities constructed with federal funds would help identify long-term issues associated with such construction

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Air National Guard Pgm						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 188,423	8.6%	\$ 308,782	12.0%	\$ 308,408	12.0%
03132 National Guard	<u>1,991,101</u>	<u>91.4%</u>	<u>2,260,254</u>	<u>88.0%</u>	<u>2,261,904</u>	<u>88.0%</u>
Grand Total	<u>\$ 2,179,524</u>	<u>100.0%</u>	<u>\$ 2,569,036</u>	<u>100.0%</u>	<u>\$ 2,570,312</u>	<u>100.0%</u>

The Air Guard program is primarily funded with 75 percent federal funds and 25 percent general fund state match. Personal services costs for firefighters and security services are 100 percent federally funded.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					142,408					144,989
Vacancy Savings					(57,826)					(57,934)
Inflation/Deflation					13,991					18,311
Fixed Costs					18,590					13,074
Total Statewide Present Law Adjustments					\$117,163					\$118,440
DP 4 - Air Guard Operations	0.00	75,588	0	196,761	272,349	0.00	75,587	0	196,761	272,348
Total Other Present Law Adjustments	0.00	\$75,588	\$0	\$196,761	\$272,349	0.00	\$75,587	\$0	\$196,761	\$272,348
Grand Total All Present Law Adjustments					\$389,512					\$390,788

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - Air Guard Operations - The executive requests additional general fund and federal authority to fund increased utilities, contract services, and supply costs.

LFD ISSUE This request increases general fund within the Air Guard by 63 percent over base year expenditures. Of this request, \$151,000 in fiscal 2004 and \$179,000 in fiscal 2005 is for projected utility increases to accommodate the addition of over 20,000 square feet in new facilities by the end of fiscal 2004. Construction of the facilities was funded with federal funds. However, the state has assumed a portion of the operational costs. This increase highlights the need for a review of the state-assumed cost to support facilities constructed with federal funds. Therefore, the legislature may wish to direct future budgets to project such costs.

Options:

- Require that the executive budget include an analysis of the long-term costs to the state of assuming operational costs for facilities constructed with federal funds.
- Take no action.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	21.00	0.00	2.00	23.00	0.00	2.00	23.00	23.00
Personal Services	979,771	27,218	95,110	1,102,099	28,048	94,827	1,102,646	2,204,745
Operating Expenses	225,773	(11,640)	44,620	258,753	(12,876)	44,633	257,530	516,283
Equipment	2,467	0	0	2,467	0	0	2,467	4,934
Grants	685,992	0	2,777,000	3,462,992	0	2,777,000	3,462,992	6,925,984
Total Costs	\$1,894,003	\$15,578	\$2,916,730	\$4,826,311	\$15,172	\$2,916,460	\$4,825,635	\$9,651,946
General Fund	505,871	18,998	(25,000)	499,869	19,111	(25,270)	499,712	999,581
State/Other Special	13,700	0	0	13,700	0	0	13,700	27,400
Federal Special	1,374,432	(3,420)	2,941,730	4,312,742	(3,939)	2,941,730	4,312,223	8,624,965
Total Funds	\$1,894,003	\$15,578	\$2,916,730	\$4,826,311	\$15,172	\$2,916,460	\$4,825,635	\$9,651,946

Program Description

The Disaster and Emergency Services Division: 1) works with local, state, and federal officials to prepare, update, and coordinate emergency preparedness, mitigation, response, and recovery plans; 2) provides technical assistance and coordination of the state response to assist political subdivisions in time of emergencies; and 3) receives, records, and disburses federal funds to eligible political subdivisions. Political subdivisions must provide matching funds for all federal reimbursement programs except disaster recovery and the Federal Emergency Management Agency Terrorism program. The division is responsible for disaster planning activities, responding quickly and effectively to disasters and emergencies, being a source of information and a 24-hour contact point, and coordinating state assistance to local governments.

Disaster and Emergency Services Division	
Major Budget Highlights	
<ul style="list-style-type: none"> ○ Increased grants related to Weapons of Mass Destruction response planning and training ○ 1.0 FTE eliminated from division to accommodate division share of overall department general fund reduction 	
Major LFD Issues	
<ul style="list-style-type: none"> ○ None 	

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Disaster & Emergency Services						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 505,871	26.7%	\$ 499,869	10.4%	\$ 499,712	10.4%
02335 Des Training Conference	13,700	0.7%	13,700	0.3%	13,700	0.3%
03022 Federal Disaster Assistance	-	-	-	-	-	-
03134 Disaster & Emergency Services	<u>1,374,432</u>	<u>72.6%</u>	<u>4,312,742</u>	<u>89.4%</u>	<u>4,312,223</u>	<u>89.4%</u>
Grand Total	<u>\$ 1,894,003</u>	<u>100.0%</u>	<u>\$ 4,826,311</u>	<u>100.0%</u>	<u>\$ 4,825,635</u>	<u>100.0%</u>

The Disaster and Emergency Services Division is supported primarily with federal funds and general fund used as state match. The disaster coordination functions that provide support to communities and contribute to the overall mission of the division are usually funded on a 50/50 federal fund to general fund ratio. Disaster coordination functions focusing on specifically identified hazards or functions are usually funded (100 percent) with federal funds. State special revenue within the division comes from fees paid by individuals who attend division-sponsored workshops and conferences, and is used to support these functions.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				69,176					70,042	
Vacancy Savings				(41,958)					(41,994)	
Inflation/Deflation				1,463					1,484	
Fixed Costs				(13,103)					(14,360)	
Total Statewide Present Law Adjustments				\$15,578					\$15,172	
Grand Total All Present Law Adjustments				\$15,578					\$15,172	

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----					-----Fiscal 2005-----					
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 210 - Terrorism Preparedness and Equipment										
21	3.00	0	0	2,967,000	2,967,000	3.00	0	0	2,967,000	2,967,000
DP 7002 - Reduce Current Level FTE - DES										
21	(1.00)	(25,000)	0	(25,270)	(50,270)	(1.00)	(25,270)	0	(25,270)	(50,540)
Total	2.00	(\$25,000)	\$0	\$2,941,730	\$2,916,730	2.00	(\$25,270)	\$0	\$2,941,730	\$2,916,460

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 210 - Terrorism Preparedness and Equipment - The executive requests additional federal authority to accommodate United States Department of Justice funding to provide equipment, exercise and training support for first responders at the state and local level, based on the Statewide Domestic Preparedness Strategy which was a requirement for receiving this funding. The objective of this funding is to enhance the capability of state and local first responders to respond to a

Weapons of Mass Destruction incident involving chemical, biological, nuclear, radiological, incendiary, and explosive devices. This request also includes 3.0 temporary FTE who will manage exercise development and implementation, in addition to the overall grant.

**LFD
ISSUE**

This funding is not guaranteed to be ongoing. Therefore, the legislature may wish to approve this request on a one-time-only basis.

DP 7002 - Reduce Current Level FTE - DES - The executive proposes to reduce current level FTE in Disaster and Emergency Services by 1.0 FTE, Emergency Management Specialist. Duties currently performed by this position include working with assigned counties (currently 8-10 per individual) in preparation, exercises, training, response, and recovery from emergencies. These positions work with both local and tribal government.

**LFD
COMMENT**

This reduction is applied to meet the department's mandated general fund reduction, based on a continuation of the Governor's fiscal 2003 expenditure reductions and reductions made during the 2003 special session. This reduction represents the division share based on the department reallocation of the overall reduction.

The department states this reduction will result in a layoff of a current employee. Responsibility for counties will be redistributed among remaining specialists, reducing the amount of time each specialist is able to provide to individual counties.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	19.50	0.50	(1.00)	19.00	0.50	(1.00)	19.00	19.00
Personal Services	690,244	58,998	(36,068)	713,174	59,288	(36,068)	713,464	1,426,638
Operating Expenses	151,860	31,747	0	183,607	32,734	0	184,594	368,201
Total Costs	\$842,104	\$90,745	(\$36,068)	\$896,781	\$92,022	(\$36,068)	\$898,058	\$1,794,839
General Fund	722,021	23,503	(36,068)	709,456	24,616	(36,068)	710,569	1,420,025
State/Other Special	120,083	67,242	0	187,325	67,406	0	187,489	374,814
Total Funds	\$842,104	\$90,745	(\$36,068)	\$896,781	\$92,022	(\$36,068)	\$898,058	\$1,794,839

Program Description

The Veterans Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veteran benefits. The program also administers the veteran cemeteries located at Miles City and at Fort Harrison, in Helena. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs, and operates under a state mandate provided in Title 10, Chapter 2, MCA.

Veterans' Affairs Division Major Budget Highlights
<ul style="list-style-type: none"> 1.0 FTE eliminated from division to accommodate division share of overall department general fund reduction
Major LFD Issues
<ul style="list-style-type: none"> Likely reduction of services under executive proposal Re-prioritization and/or expansion of desired services is likely, based on workings of Veterans' Interagency Coordinating Council Alternate funding sources can potentially be used to offset/replace general fund

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Veterans Affairs Program							
<u>Program Funding</u>	<u>Base Fiscal 2002</u>	<u>% of Base Fiscal 2002</u>	<u>Budget Fiscal 2004</u>	<u>% of Budget Fiscal 2004</u>	<u>Budget Fiscal 2005</u>	<u>% of Budget Fiscal 2005</u>	
01100 General Fund	\$ 722,021	85.7%	\$ 709,456	79.1%	\$ 710,569	79.1%	
02214 Veterans Affairs Cemeteries	113,957	13.5%	147,325	16.4%	147,489	16.4%	
02550 Ft Harr Va Cemetery Donations	-	-	10,000	1.1%	10,000	1.1%	
02551 Ft Harr Va Cemetery Plot Allow	5,797	0.7%	10,000	1.1%	10,000	1.1%	
02552 Estrn Mt Va Cemetery Plot All	329	0.0%	10,000	1.1%	10,000	1.1%	
02553 Estrn Mt Va Cemetery Donations	-	-	10,000	1.1%	10,000	1.1%	
Grand Total	<u>\$ 842,104</u>	<u>100.0%</u>	<u>\$ 896,781</u>	<u>100.0%</u>	<u>\$ 898,058</u>	<u>100.0%</u>	

The Veterans' Affairs Division is funded with general fund for all functions except cemetery operations. Veteran cemetery operations are fully funded by state special revenue received primarily from the sale of veteran license plates, with a smaller portion being received from donations and cemetery plot allowances.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					58,703					59,021
Vacancy Savings					(29,958)					(29,972)
Inflation/Deflation					532					2,341
Fixed Costs					1,036					369
Total Statewide Present Law Adjustments					\$30,313	\$31,759				
DP 18 - Veterans Cemeteries Operations										
	0.50	0	60,432	0	60,432	0.50	0	60,263	0	60,263
Total Other Present Law Adjustments										
	0.50	\$0	\$60,432	\$0	\$60,432	0.50	\$0	\$60,263	\$0	\$60,263
Grand Total All Present Law Adjustments					\$90,745	\$92,022				

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 18 - Veterans Cemeteries Operations - The executive requests additional state special revenue authority from the Veterans' Affairs Cemeteries fund for an additional 0.5 FTE and increased operating expenses related to operation of the two Veterans' Affairs Cemeteries.

New Proposals											
-----Fiscal 2004-----						-----Fiscal 2005-----					
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 7001 - Reduce Current Level FTE - Veterans Affairs Div.											
	31	(1.00)	(36,068)	0	0	(36,068)	(1.00)	(36,068)	0	0	(36,068)
	Total	(1.00)	(\$36,068)	\$0	\$0	(\$36,068)	(1.00)	(\$36,068)	\$0	\$0	(\$36,068)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 7001 - Reduce Current Level FTE - Veterans Affairs Div. - The executive proposes to reduce current level FTE in the Veterans' Affairs Division by 1.0 FTE, Veteran Service Representative. This position, established in each Veterans' Service Office, handles a wide range of duties associated with assisting and representing veterans in various stages of interaction with the state and federal government.

LFD COMMENT

This decision package is part of a department-wide adjustment to meet the department's mandated general fund reduction, based on a continuation of the Governor's fiscal 2003 expenditure reductions and reductions made during the 2003 special session. This reduction represents the division share based on department reallocation of the overall reduction.

Veteran services as provided by the division have historically been defined as providing information on veteran benefits and aiding veterans in applying for those benefits, primarily with records retrieval and paperwork completion. The department has stated this reduction would most likely be addressed using one of the following options:

- the closure of a Veterans' Service Office, and elimination of 2.0 FTE associated with that office
- reduction in hours of Veterans' Service Office personnel, up to the elimination of FTE, as necessary to stay within budget
- increased use of Veterans' Affairs Cemeteries state special revenue funding to supplement general fund appropriated to the division

Of those three options, increasing the share of costs borne by the cemeteries fund is the only option that will not necessarily lead to a reduction in services for those serviced by the Veterans' Service Offices.

The division states that no decisions on office closures or FTE re-alignments have been made. The decision to close or reduce operating hours of an office would depend upon the workload, overhead costs, and the availability of other Veterans' Service Offices to take care of the displaced clients.

The reduction of 1.0 FTE can be expected to impact current operations at some, if not all, offices. Although the division will be able to reallocate operating expenses within the various offices, the division will be clearly required to find efficiencies within current operations in order to maintain the same level and quality of services it normally provides.

The 2001 legislature implemented a funding switch whereby approximately \$12,000 general fund each year was replaced with \$12,000 of state special revenue from the Veterans' Affairs Cemeteries state special revenue fund. This switch was implemented to ensure the state special revenue paid an appropriate share for the support services provided by division staff, who were formerly funded entirely with general fund. The division has stated it would request a transfer of additional state special revenue authority to allow increased use of the Veterans' Affairs Cemeteries funding to allow the division to finish fiscal 2003 without closing an office or further reducing FTE.

A June 2002 Legislative Audit Division audit of the Veterans Affairs Division contained several recommendations for improving efficiency of operations and improving the ability of staff to provide quality services. These included recommendations to:

- upgrade management information systems and communications equipment*
- evaluate staff travel efficiency and develop alternatives for providing rural outreach services
- establish policies for key activities
- review and revise technician and officer classifications
- provide additional training and formalized mentoring*
- evaluate staff activities and work priorities

For at least two of these recommendations (marked with an asterisk) the Board of Veterans' Affairs responded that additional general fund would be needed to fully implement.

In response to an LFD request for a progress report in addressing the audit, the division states that progress has been made on several of the recommendations, including outlining policies for service and quality control review, as well as moving toward standardized, updated position descriptions for both the state grade 11 and 12 positions. Additionally, to help evaluate work priorities, the division has established the Veterans' Interagency Coordinating Council. This council has seven members and is chaired by the administrator of the Montana Veterans' Affairs Division. One of the stated purposes of this council is "effectively, efficiently, and systematically identifying and pursuing issues and initiatives significant to veterans' well-being and services provision." This council appears to provide a new avenue for determining and prioritizing the services desired and needed by Montana's veteran populace.

However, in areas where additional funding is needed, such as upgraded information technology equipment, little progress has been made. Where it can, the division has partnered with the Army National Guard to partner on enhanced communications capabilities at those armories housing a Veterans Service Office. This division also states that due to

fiscal 2003 budget reductions, the division plans to turn in four state vehicles and curtail rural outreach for the fourth quarter of fiscal 2003.

There are three primary issues when analyzing the Veterans' Affairs Division's budget.

- Under the executive proposal, it appears services currently provided by the division will be reduced through closure of a Veterans' Services Office, office hours reduction, reduced rural outreach, or fewer service officers to serve veterans. Implementing recommendations from the recent audit may alleviate some, but most likely not all, reductions in service
- It is possible that the Veterans' Interagency Coordinating Council will identify the need for additional services beyond those historically provided by the division. There is insufficient funding to expand services
- Alternate funding sources, including selling specialized license plates or earmarking a portion of vehicle registration fees, might be used to replace or supplement general fund in the division

Options:

- accept the executive funding proposal and direct the division to work with the Veterans' Interagency Coordinating Council to prioritize services to veterans
- do not accept the executive proposal to reduce the division by 1.0 FTE
- increase the amount of Veterans' Affairs Cemeteries funding allocated to the department
- replace or supplement all or some general fund with an alternate funding source